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## A Reluctance to Retire Means Fewer Openings

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To the long list of reasons American companies aren't hiring — business losses, tight credit, consumer retrenchment — add the fact that many of their older workers are unable, or afraid, to retire.

In other parts of the developed world, people are retiring as planned, because of relatively flush state and corporate pensions that await them. But here in the United States, financial security in old age rests increasingly on private savings, which have taken a beating in the last year. Prospective retirees are clinging to their jobs despite some cherished life plans.

As a result, companies are not only reluctant to create new jobs, but have fewer job openings to fill from attrition. For the 14 million Americans looking for work — a number expected to rise in Friday's jobs report for August — this lack of turnover has made a tough job market even tougher.

Consider Barbara Petrucci, a dialysis nurse who had expected to stop working soon, or at least scale back to part time. Now that her family savings have been depleted by market declines, she expects to stay on the job for a long, long time.

"Retirement is kind of an elusive dream at this point," says Ms. Petrucci, 58, who works at an Atlanta hospital while her retired husband, Ned, 61, interviews for jobs (unsuccessfully, so far). "We tease at work about someday having to go around at the hospital with our walkers."

The diverted life plans of families like the Petruccis are an unintended economic consequence of the nation's sprawling [401\(k\)](#) plans. These private retirement savings vehicles, designed 30 years ago as a supplement to traditional corporate pensions, have somewhat haphazardly replaced the old system, like an innocuous weed that somehow overgrew the garden.

As is apparent in this downturn, the economic effects of such an ad hoc system can be perverse. In boom times, when companies need more workers, the most experienced employees may decide to retire, taking comfort in their bloated 401(k)s, whose values typically fluctuate with the financial markets.

Today, the reverse is happening in the first deep [recession](#) since the new accounts became so pervasive. A Pew Research survey scheduled for Thursday release found that nearly four in 10 workers over age 62 say they have delayed their retirement because of the recession. (Though the data omits some people who have retired and includes some who are still working, the [Social Security Administration](#) said that about 2.3 million people that age started collecting benefits last year.)

“One unappreciated side effect of the 401(k) system is that it’s a sort of reverse automatic stabilizer,” says Teresa Ghilarducci, an economics professor at the [New School](#).

The recent retirement losses have prompted policy makers to discuss whether Americans need a stronger social safety net, not just in health care and unemployment benefits, but in retirement as well.

Economists say there are advantages to reducing the financial risk for individuals. Pooling investments, in some cases, allows workers to switch jobs more easily and helps lower fees associated with investment decisions, for example.

Alternatives include creating incentives for saving and for less risky investments through tax laws or other regulations. The Obama administration has proposed an opt-out retirement savings system, for example. And even before the crisis, some states developed plans for pooling private savings into voluntary, portable retirement accounts.

Though their pension systems may be strained, people in many countries with stronger safety nets are still exiting the labor force in lockstep despite the global recession. Last year in the United States, almost a third of people ages 65 to 69 were still in the labor force; in France, just 4 percent of people this age were still working or looking for work.

After all, Europe isn’t just the land of “socialized” medicine. It is also the land of “socialized” retirement plans,

and like other automatic stabilizers, pensions help cushion the blow of an economic crisis.

Retirement income typically comes from a combination of three buckets: state pensions, corporate pensions and individual arrangements. In many other industrialized countries, that first bucket — state pensions — supports a large amount of retirees' income.

The typical American receives just 45 percent of his preretirement wage through [Social Security](#), according to the Organization of Economic Cooperation and Development. By contrast, a worker in Denmark, which has one of the most comprehensive and generous retirement arrangements in the world, can retire with a state pension that is 91 percent of his salary.

“The financial crisis hasn't affected me,” says Jens Erik Soerensen, a 63-year-old in Hellerup, Denmark, who works as a researcher at Chempilots, a Danish company that develops polymers for use in the medical device industry.

Mr. Soerensen has calculated that when he retires, the combined disposable income that he has with his wife (Lone, also 63, who retired this year from her job in TV production) will fall by about 20 percent. The couple will also continue to benefit from universal health coverage.

“I think we can survive without changing our lifestyle, at least until 75,” he said. After that, he might have to dip into personal savings.

Of course, such a system comes with tradeoffs. To help pay for generous state pensions, Danish workers have one of the highest tax burdens. The population is also aging, meaning that there will be fewer working people to pay for the pensions and care of a graying society.

In response, some nations have been trying to encourage people to stay at work longer. In France, suggestions to raise the retirement age above its current level of 60 have met fierce opposition from unions, although the government intends to push ahead. Britain has had a bit more success, announcing plans to raise the retirement age to 68, from 65 — in 2044.

Along with raising the retirement age, some European countries have been shifting more financial risk to

individuals.

In the United States, where the practice is decades old, the question is whether people can be freed from making their own financial decisions, an act they may not feel qualified to do and may not want to do.

One study found that nearly a quarter of Americans ages 56 to 64 had more than 90 percent of their 401(k) balances invested in [stocks](#) instead of bonds, against financial advisers' standard advice for people nearing retirement age.

“Employees are just not capable of making these decisions,” said Rick K. Shapiro, a member of the army of financial planning professionals that America’s private retirement system (and private health care and college education financing systems) has spawned. “Maybe they can learn, but they’re distracted, and they’re not incented to learn until the thing blows up.”

Even conscientious investors — like the Petruccis, who keep an updated spreadsheet of their investments — lose money.

“We thought we were conservative,” said Mr. Petrucci, noting that he and his wife lost about 35 percent of their life savings in the crisis and have made only a little of it back.

Still, the American preference for self-reliance, instead of more socialized financial protections, remains strong, even among those who lost big.

“I don’t want to depend on anybody else in my retirement,” Mr. Petrucci said. “Not family members, not our children, and certainly not the government, for that matter.”

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